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OF
RANCHO VILLAS COMMUNITY ASSOCIATION

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BYLAWS
OF
RANCHO VILLAS COMMUNITY ASSOCIATION

ARTICLE I

1. Plan of Condominium Ownership.

1.1. Name.

The name of the corporation is RANCHO VILLAS COMMUNITY ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in San Diego County, California.

1.2. Application.

The provisions of these Bylaws are applicable to the residential condominium project known as Rancho Villas, located in the County of San Diego, California. All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Project in any manner, are subject to the regulations set forth in the Bylaws and in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Rancho Villas (the "Declaration" herein) Recorded or to be Recorded in the Official Records of San Diego County and applicable to the Project. The mere acquisition or rental of any Condominium in the Project or the mere act of occupancy of any Condominium will signify that these Bylaws are accepted, ratified, and will be complied with.

1.3. Meaning of Terms.

Unless otherwise specifically provided herein, the capitalized terms in these Bylaws shall have the same meanings as are given to such terms in the Declaration.

ARTICLE II

2. Voting by Association Membership.

2.1. Voting Rights.

The Association shall have two (2) classes of voting Membership, as further provided in the Declaration.

Class A. Class A Members shall be those Owners with the exception of Declarant for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium owned which is subject to assessment, as further provided in the Declaration.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Condominium owned by Declarant, provided that the Class B Membership shall cease and be converted to Class A Membership immediately upon the first to occur of the following events :

- (1) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of Development; or

(2) The fourth anniversary of the original issuance of the Final Subdivision. Public Report for Phase 1; or

(3) The seventh anniversary of the Recordation of the Declaration.

Except as provided in Section 14.2 of the Declaration, and Section 4.8 of these Bylaws, as long as there exists a Class B Membership, any provision of these Bylaws which expressly requires a vote or written consent of a specified percentage of the voting power of the Association, before action may be undertaken (i.e., other than, actions requiring merely the vote or written consent of a majority of a quorum) shall require the approval of such specified percentage of the voting power of each class of Membership. Except as provided in Section 14.2 of the Declaration and Section 4.8 of these Bylaws, upon termination of the Class B Membership, any provision of these Bylaws which expressly requires a vote or written consent of Owners representing a specified percentage of the voting power of the Association, before action may be undertaken shall require the vote or written consent of Owners representing such specified percentage of both the total voting power of the Association and the voting power of the Association, residing in Owners other than Declarant.

2.2. Majority of Quorum.

Unless otherwise expressly provided in these Bylaws or the Declaration, any action which may be taken by the Association may be taken by a majority of a quorum of the Members of the Association.

2.3. Quorum.

Except as otherwise provided in these Bylaws, the presence in person or by proxy of at least a majority of the voting power of the Membership of the Association shall constitute a quorum of the Membership. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum .

2.4. Proxies.

Votes may be cast in person or by proxy and all proxies must be in writing. Every proxy shall be revocable and shall automatically cease after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any Person to the Members of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the Person or Persons authorized to exercise the proxy and the length of time it will be valid.

ARTICLE III

3. Administration.

3.1. Association Responsibilities.

In accordance with the provisions of the Declaration, the Association shall have the responsibility of administering the Property, approving the Budget, establishing and collecting all assessments applicable to the Property, and arranging for overall architectural control of the Property.

3.2. Place of Meetings of Members.

Meetings of the Members shall be held on the Property, or such other suitable place as proximate thereto as practicable, in San Diego County, convenient to the Owners, as may be designated by the Board of Directors.

3.3. Annual Meetings of Members.

The first annual meeting of Members shall be held within forty-five (45) days after Close of Escrow for the sale of fifty-one percent (51%) of the Condominiums in Phase 1 or within six (6) months after the Close of Escrow for the sale of the first Condominium in Phase 1, whichever occurs first. Thereafter, the annual meetings of the Members shall be held on or about the anniversary date of the first annual meeting. At each annual meeting there shall be elected by ballot of the Members a Board of Directors of the Association, in accordance with the requirements of Article IV, Section 4.5 of these Bylaws. The Members may also transact such other business of the Association as may properly come before them. Each first Mortgagee of a Condominium in the Project may designate a representative to attend all annual meetings of the Members.

3.4. Special Meetings of Members.

It shall be the duty of the Board to call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board of Directors, by request of the President of the Association, or upon receipt by the Secretary of a petition signed by Members representing at least five percent (5%) of the total voting power of the Association. The notice of any special meeting shall be given within twenty (20) days after adoption of such resolution or receipt of such request or petition and shall state the date, time and place of such meeting and the general nature of the business to be transacted. The special meeting shall be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of such resolution or receipt of such petition or request. No business shall be transacted at a special meeting except as stated in the notice. Each first Mortgagee of a Condominium in the Project may designate a representative to attend all special meetings of the Members.

3.5. Notice of Meetings to Members.

It shall be the duty of the Secretary to send a notice of each annual or special meeting by first-class mail, at least ten (10) but not more than thirty (30) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record, and to each first Mortgagee of a Condominium, which Mortgagee has filed a written request for notice with the Secretary. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of **any** meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to the Members. The mailing of a notice

postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Such notice shall be posted in a conspicuous place on the Common Property, and such notice shall be deemed served upon a Member upon posting if no address for such Member has been then furnished the Secretary. The Board of Directors may fix a date in the future as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed shall be not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. If the Board does not fix a record date for notice to members, the record date shall be the close of business on the business day preceding the day on which notice is given. Only Members who on the record date for notice of the meeting are entitled to vote thereat, shall be entitled to notice of the meeting, notwithstanding any transfer of or issuance of Membership certificates on the books of the Association after the record date. In addition, the record date for notice of the meeting shall be the record date for determining the Members entitled to vote at the meeting.

3.6. Adjourned Meetings.

If any meeting of Members cannot be organized because a quorum is not present, a majority of the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person or by proxy of the Members holding at least twenty-five percent (25%) of the voting power of the Association. Such an adjourned meeting may be held without notice thereof as provided in this Article III, provided that notice is given by announcement at the meeting at which such adjournment is taken. If, however, such an adjourned meeting is actually attended, in person or by proxy, by Members having less than one-third (1/3rd) of the voting power of the Association, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the general nature of which was given pursuant to Section 3.5 hereof. No action by the Members on any such matter shall be effective if the votes cast in favor are fewer than the minimum number of votes required by the Restrictions to approve such an action.

3.7. Order of Business.

The order of business at all meetings of the Members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of Minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of elections (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

3.8. Action Without Meeting.

Any action, which may be taken at a meeting of the Members (except for the election of Directors) may be taken without a meeting by written ballot of the Members. Ballots shall be solicited in the same manner as provided in Section 3.5 for the giving of notice of meetings of Members. Such solicitations shall specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time

by which ballots must be received in order to be counted. The form of written ballot shall afford an opportunity to specify a choice between approval and disapproval of each matter and shall provide that, where the Member specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting and a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast shall constitute approval by written ballot.

3.9. Consent of Absentees.

The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Members not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the Minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the Minutes of the Meeting .

3.10. Minutes, Presumption of Notice.

Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE IV

4. Board of Directors.

4.1. Number and Qualification.

The affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) Persons, each of whom, except for those appointed and serving as first Directors, must either be an Owner or an agent of Declarant for so long as Declarant owns a Condominium in the Project or is entitled to add any of the Annexable Territory to the Property without the vote of the Members pursuant to the Declaration. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws. Directors and officers shall not receive any salary or compensation for their services as Directors and officers unless such compensation is approved by the vote or written consent of Members representing at least a majority of both the Class A and Class B voting power; provided, however, that (1) nothing herein contained shall be construed to preclude any Director from serving the Association in some other capacity and receiving compensation therefor, and (2) any Director or officer may be reimbursed for his actual expenses incurred in the performance of his duties.

4.2. Powers and Duties.

The Board of Directors has the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Members. The Board of Directors shall not enter into any contract for a

term in excess of one (1) year, without the vote or written consent of the Members representing at least a majority of the voting power of the Association, except for (1) a contract with a public utility company if the rates charged for the materials or services are regulated by the California Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the public utility company will contract at the regulated rate, (2) a management contract the terms of which conform to the requirements of Section 4.4 hereof, (3) prepaid casualty or liability insurance policies of not to exceed three (3) years' duration, provided that the policies permit short term cancellation by the Association, (4) agreements for cable television services and equipment or satellite dish television services and equipment with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%), and (5) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%) .

4.3. Special Powers and Duties.

Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

(a) The power and duty to select, appoint, and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, the Articles of Incorporation, the Declaration and these Bylaws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(b) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations therefor consistent with law, the Articles of Incorporation, the Declaration and these Bylaws, as the Board may deem necessary or advisable.

(c) The power but not the duty to change the principal office for the transaction of the business of the Association from one location to another within the County of San Diego, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Article III, Section 3.2 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law.

(d) With the approval of Members representing at least two-thirds (2/3rds) of the voting power of the Association, the power but not the duty to borrow money and to incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(e) The power and duty to fix and levy from time to time Annual Assessments, Special Assessments, and Reconstruction Assessments upon Members, as provided in the Declaration; to fix and levy from time to time in any Fiscal Year Capital Improvement Assessments applicable to that year only for capital improvements; to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the Common Expenses of the Association and of taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the provisions of the Declaration. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate reserves for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable to replacement reserves, for maintenance costs which cannot normally be expected to occur on an annual basis and for capital improvements, shall at all times be held in trust for the Members. Disbursements from such trust reserve fund shall be made only in accordance with the provisions of the Declaration. Such Annual Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Declaration. Should any Member fail to pay such assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent assessments as provided in the Declaration.

(f) The power and duty to enforce the provisions of the Declaration, these Bylaws or other agreements of the Association.

(g) The power and duty to contract for and pay for, as reasonably necessary, fire, casualty, blanket liability, malicious mischief, vandalism, errors and omissions, liquor liability and other

insurance, insuring the Members, the Association, the Board of Directors and other interested parties. in accordance with the provisions of the Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Common Property)

(h) The power and duty to contract for and pay for maintenance, legal, accounting, gardening, and common utilities services, and for materials and supplies and other Common Expenses relating to the Common Property, and relating to the Units only to the extent not separately metered or charged, and to employ personnel necessary for the operation of the Property, including legal and accounting services, and to contract for and pay for Improvements on the Common Property.

(i) The power but not the duty to delegate its powers according to law, and subject to the approval of the Members, to adopt these Bylaws.

(j) The power but not the duty to grant easements where necessary for utility and other purposes over the Common Property for the benefit of the Members of the Association.

(k) The power and duty to adopt such Rules and Regulations as the Board may deem necessary for the management of the Project, which Rules and Regulations shall become effective and binding after (1) they are adopted by a majority of the Board at a meeting called for that purpose, or by the written consent of the Board in accordance with Section 4.13, and (2) they are posted in a conspicuous place in the Common Property. Such Rules and Regulations may concern, without limitation, use of the Common Property; signs; collection and disposal of refuse; minimum standards of property maintenance consistent with the Declaration and the procedures of the Architectural Committee; and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation and these Bylaws, and the Rules and Regulations may not be used to amend any of said documents.

(1) The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least ten percent (10%) of the Members who are entitled to vote.

(m) The power but not the duty to appoint a Membership Committee composed of at least one (1) Director and at least one (1) Association Member at large. The Membership Committee shall be responsible for contacting all purchasers of Condominiums in the Project as soon as any transfer of title to a Condominium is discovered. The Membership Committee shall further attempt to

establish initial contact with all Members who are delinquent in the payment of any assessments or other charges due the Association.

(n) The power but not the duty to sell property of the Association; provided, however, that the prior vote or written approval of the Members representing at least a majority of the voting power of the Association must be obtained to sell during any Fiscal Year any property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that Fiscal Year.

4.4. Management Agent.

The Board of Directors may engage a professional Manager for the Association at a compensation established by the Board to perform such duties and services as the Board shall authorize. The maximum term of any such contract ("Management Contract") shall be one (1) year, unless a longer term is approved either by vote or written assent of a majority of the voting power of the Association or by the Veterans Administration or the Federal Housing Administration, in which case the maximum term of the Management Contract shall be three (3) years. The maximum term of any contract providing for Declarant's services to the Association or the Project shall also be three (3) years. Each such contract for Declarant's services and each Management Contract shall provide for its termination by either party thereto for cause upon no more than thirty (30) days' written notice and without cause and without payment of a termination fee upon no more than ninety (90) days' written notice to the other party.

4.5. Election and Term of Office.

(a) Directors shall be elected by secret written ballot of the Members. At the first annual meeting of the Members, new Directors shall be elected by the Members as provided in these Bylaws, and all positions on the Board of Directors shall be filled at that election. In the event that an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. The term of office of the three (3) Directors receiving the highest number of votes at the first annual meeting shall be two (2) years. The term of office of the two (2) Directors receiving the next highest number of votes at the First annual meeting shall be one (1) year. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by the death, resignation, removal, judicial adjudication of mental incompetence or expiration of the terms of past Directors. The term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be two (2) years. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person

serving as a Director may be reelected, and there shall be no limitation on the number of terms during which he may serve. Cumulative voting shall be used in the election of Directors for any election in which more than two (2) Directors are to be selected, subject only to the procedural prerequisites to cumulative voting in the following sentence. A member may cumulate his votes for any candidate for the Board if the candidate's name has been placed in nomination prior to the voting and if such Member, or any other Member, has given notice at the meeting prior to the voting of such Member's intention to cumulate votes. If a Member cumulates his votes, such Member may cast a number of votes equal to the Member's share of the voting power as set forth in the Declaration, multiplied by the number of Directors to be elected.

(b) Notwithstanding the foregoing, whenever (1) notice is given for an election of Directors of the Board and (2) upon such date the Members other than Declarant do not have a sufficient percentage of the voting power of the Association to elect at least one (1) Director through the foregoing cumulative voting procedure, such notice shall also provide for the following special election procedure. Election of one (1) Director shall be apportioned entirely to the Members other than Declarant. Any person shall be an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election shall be by secret ballot unless a majority of the Members other than Declarant determine otherwise. The person receiving a majority of the votes cast by the Members other than Declarant shall be elected a Member of the Board in a coequal capacity with all other Directors. The remaining Directors of the Board shall be elected through the customary cumulative voting procedure outlined above.

4.6. Books, Audit.

The following financial information shall be prepared and distributed by the Board to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Association:

(a) A pro forma operating budget for each Fiscal Year consisting of at least the following information shall be distributed not less than forty-five (45) nor more than sixty (60) days prior to the beginning of the Fiscal Year.

(1) The estimated revenue and Common Expenses of the Association computed on an accrual basis.

(2) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Property and for contingencies .

(3) An itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair and replacement of, or additions to, major components of the Common Property and the facilities for which the Association is responsible .

(4) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair and replacement of, or additions to, major components of the Common Property and facilities for which the Association is responsible.

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of the first Close of Escrow for the sale of a Condominium in the Project and an operating statement for the period from the date of the first Close of Escrow to the said accounting date, shall be distributed within sixty (60) days after the accounting date. Such operating statement shall include a schedule of assessments received and receivable identified by the number of the Unit and the name of the Owner assessed .

(c) A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the Fiscal Year.

(1) A balance sheet as of the end of the Fiscal Year.

(2) An operating (income) statement for the Fiscal Year.

(3) A statement of changes in financial position for the Fiscal Year.

(4) Any information required to be reported under Section 8322 of the California Corporations Code.

(5) For any Fiscal Year in which the gross income to the Association exceeds \$75,000, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(6) A statement of the place where the names and addresses of the current Members is located.

If the report referred to above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association stating that the statement was prepared from the books and the records of the Association without independent audit or review. The Board may distribute a summary of the financial statement in lieu of the financial statement itself, so long

as the Board complies with the provisions of Section 1365(c) of the California Civil Code, as it may be amended.

In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the Fiscal Year a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Annual, Capital Improvement, Reconstruction and Special Assessments, including the recording and foreclosing of liens against Members' Condominiums .

The Board shall perform the following on at least a quarterly basis: (1) cause to be completed and review a current reconciliation of the Association's operating accounts and reserve accounts, (2) review the current Fiscal Year's actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, (3) review the income and expense statement for the Association's operating and reserve accounts, and (4) review the most current account statements prepared by the financial institutions where the Association maintains its operating and reserve accounts. The signatures of either (i) two (2) Directors of the Association, or (ii) one (1) Director and one (1) Officer of the Association (who is not also a Director) shall be required for the withdrawal of money from the Association's reserve accounts. As used in this paragraph, the term "reserve accounts" means monies that the Board has identified from its Budget for use to defray the future repair and replacement of, or additions to, those major components which the Association is obligated to maintain.

The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Owners, the Board and Board committees shall be made available for inspection and copying by any Member, prospective purchaser of a Condominium in the Project, and any Beneficiary, insurer, and guarantor of a first Mortgage, or their duly appointed representatives at the principal office of the Association or at such other place within the Property as the Board may prescribe. The Board shall establish reasonable rules with respect to (1) notice to be given to the custodian of the records by the Member desiring to make the inspection, (2) hours and days of the week when such an inspection may be made and (3) payment of the cost of reproducing copies of documents requested by a Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. A Director's right of inspection shall include the right to make extracts and copies of documents.

4.7. Vacancies.

Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Any vacancy caused by the removal of a Director may be filled by the vote of the majority of the remaining Directors but only with the approval, by vote or written consent, of a majority of the voting power of the Association residing in Members other than Declarant. A Director may resign at any time by giving notice to the President, the Secretary or the Board. Any Director who ceases to be an Owner or an agent of Declarant shall be deemed to have resigned from the Board. A vacancy or vacancies shall be deemed to exist in case of death,

resignation, removal or judicial adjudication of mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Any vacancy not filled by the Directors may be filled by vote of the Members at the next annual meeting of the Members or at a special meeting of the Members called for such purpose.

4.8. Removal of Directors.

At any regular or special meeting of the Members duly called, any one individual Director or the entire Board may be removed prior to the expiration of their terms of office with or without cause (i) if and for so long as fewer than fifty (50) Condominiums are included within the Project, by the vote of Members representing a majority of the total voting power of the Association (including votes attributable to Declarant), and (ii) once fifty (50) or more Condominiums are included within the Project, by the vote of Members representing a majority of a quorum of Members. Notwithstanding the foregoing, if the entire Board of Directors is not removed as a group pursuant to a single vote, no individual Director shall be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting. However, any Director who has been elected to office solely by the votes of Members other than Declarant pursuant to Section 4.5 of this Article IV may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.

4.9. Organization Meeting of Board.

The first regular ("organization") meeting of a newly elected Board of Directors shall be held within ten (10) days of election of the Board, at such place as shall be fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of organization, election of officers and the transaction of other business. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting; provided that (1) a majority of the whole Board shall be present when the time and place are announced at the membership meeting and (2) the meeting is held on the same day and at the same place as the meeting of the Members at which the newly constituted Board was elected.

4.10. Regular Meetings of Board.

Regular meetings of the Board of Directors shall be open to all Members, provided that Members who are not Directors may not participate in any deliberation or discussion at such regular meetings unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Regular meetings may be held at such time and place within the Project as shall be determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors; provided, however, that such meetings shall be held no less frequently than quarterly. Notice of the time and place of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone

or telegraph, and posted at a prominent place or places within the Common Property at least four (4) days prior to the date named for such meeting.

4.11. Special Meetings of Board.

Special meetings of the Board of Directors shall be open to all Members, provided that Members who are not Directors may not participate in any deliberation or discussion at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special meetings may be called by the President or by any two (2) Directors upon four (4) days' notice by first-class mail or seventy-two (72) hours' notice delivered personally or by telephone or telegraph. The notice shall state the date, time, place (as hereinabove provided) and the purpose of the meeting, and shall be posted at a prominent place or places within the Common Property in the same manner as prescribed for regular meetings.

4.12. Waiver of Notice

Before or at any meeting of the Board of Directors, any Director may, in writing, waive personal notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to such Director. Attendance by a Director at any meeting of the Board shall be a waiver by him of personal notice of the date, time, and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if (1) a quorum be present, (2) notice to the Members of such meeting was posted as provided in Sections 4.10 and 4.11 of this Article IV, and (3) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the Minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Association or made a part of the Minutes of the meeting.

4.13. Action Without Meeting.

Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors. An explanation of any action taken by unanimous written consent without a meeting shall be posted by the Board in a prominent place or places in the Common Property within three (3) days after the written consents of all Directors have been obtained.

4.14. Quorum and Adjournment.

Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting to another

time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

The Board of Directors may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session .

4.15. Committees.

The Board of Directors, by resolution, may from time to time designate such committees as it shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board .

ARTICLE V

5. Officers.

5.1. Designation.

The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer, and an Assistant Secretary, and such other officers as in their judgment may be necessary. Officers other than the President need not be Directors. Any Person may hold more than one office .

5.2. Election of Officers.

The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and each officer shall hold his office at the pleasure of the Board of Directors, until he shall resign or be removed or otherwise disqualified to serve or his successor shall be elected and qualified to serve.

5.3. Removal of Officers.

Upon an affirmative vote of a majority of the entire Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Association. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be necessary to make it effective .

5.4. Compensation.

Officers, agents, and employees shall receive such reasonable compensation for their services as may be authorized or ratified by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Association's business unless such

compensation is approved by the vote or written consent of Members representing at least a majority of the voting power of the Association; and provided further, that (1) nothing herein contained shall be construed to preclude any officer from serving the Association in some other capacity and receiving compensation therefor, and (2) any officer may be reimbursed for his actual expenses incurred in the performance of his duties. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation.

5.5. President.

The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of an Association, including but not limited to the power, subject to the provisions of Article IV, Section 4.15, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business of the Association. The President shall sign all leases, mortgages, deeds and other instruments, and shall co—sign all checks and promissory notes; provided, however, that the President need not do so if persons other than the President are authorized by the Board to do so in accordance with Sections 11.1 or 11.2 hereof. The President shall be ex officio a member of all standing committees, and he shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws of the Association.

5.6. Vice President.

The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or disabled or whenever the President refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or these Bylaws of the Association.

5.7. Secretary

The Secretary shall keep the Minutes of all meetings of the Board of Directors and the Minutes of all meetings of the Association at the principal office of the Association or at such other place as the Board of Directors may order. The Secretary shall keep the seal of the Association in safe custody and shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notices of meetings of the Members of the Association and of the Board of Directors required by these Bylaws or by law to be given. The Secretary shall maintain a record book of Owners, listing the names, mailing addresses and telephone numbers of Owners, as furnished to the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Condominium is

presented to the Secretary . The Secretary shall perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

5.8. Treasurer.

The Treasurer shall be the chief financial officer of the Association and shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, in accordance with the Declaration, shall render to the President and Directors, upon request, an account of all of his transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The Treasurer shall sign all checks and promissory notes; provided, however, that the Treasurer need not do so if persons other than the Treasurer are authorized by the Board to do so in accordance with Sections 11.1 or 11.2 hereof.

ARTICLE VI

6. Obligations of the Members.

6.1. Assessments.

(a) All Members are obligated to pay, in accordance with the provisions of the Declaration, all assessments imposed by the Association, to meet all expenses of the Association.

(b) All delinquent assessments shall be enforced, collected or foreclosed in the manner provided in the Declaration.

6.2. Maintenance and Repair.

(a) Every Member must perform promptly, at his sole cost and expense, such maintenance and repair work within his own Residence, as required under the provisions of the Declaration. As further provided in the Declaration, all plans for alterations and repair of structural or utility bearing portions of the buildings housing the Units must receive the prior written consent of the Architectural Committee. The Architectural Committee shall establish reasonable procedures for the granting of such approval, in accordance with the Declaration.

(b) As further provided in the Declaration, each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Property, which is damaged through the fault of such Member or his family, guests, tenants or invitees. Such expenditures

shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these Bylaws or the Declaration.

ARTICLE VII

7. Amendments to Bylaws.

These Bylaws may be amended by the Association by the vote or written consent of Members, representing at least (1) a majority of the voting power of each class of the Members, and (2) a majority of the voting power of the Association residing in members other than Declarant; provided that the specified percentage of each class of the Members necessary to amend a specific Section or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. In addition to the foregoing, any amendment to these Bylaws which materially affects matters delineated in Article XII or Section 13.2 of the Declaration must be approved by the Beneficiaries of that percentage of first Mortgages on the Condominiums which is specified in the affected provision of Article XII or Section 13.2 of the Declaration, respectively; provided that, if an amendment to these Bylaws materially affects matters delineated in both Article XII and Section 13.2 of the Declaration or purports to amend this sentence, the amendment must be approved pursuant to the requirements of both said Article XII and Section 13.2. So long as there exists a Class B Membership, any amendment of these Bylaws shall require the approval of VA and FHA. A draft of the proposed amendment shall be submitted to VA and FHA for approval prior to its approval by the Membership of the Association.

ARTICLE VIII

8. Mortgagees.

8.1. Notice to Association.

Every Member who mortgages his Condominium shall notify the Association through the Manager, or through the Secretary in the event there is no Manager, of the name and address of his Mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Condominiums." Upon request, any such Member shall likewise notify the Association as to the release or discharge of any such Mortgage .

8.2. Notice of Unpaid Assessments.

The Board of Directors of the Association shall at the request of a Mortgagee of a Condominium, report any unpaid assessments due from the Unit Owner of such Condominium, in accordance with the provisions of the Declaration.

ARTICLE IX

9. Conflicting Provisions.

In case any of these Bylaws conflict with any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon final court determination to such effect, but all other Bylaws shall remain in full force and effect. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE X

10. Indemnification of Directors and Officers.

The Board may authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine levied against, any present or former Director, officer, employee, or agent of the Association to the extent and under the circumstances provided in the Declaration.

ARTICLE XI

11. Miscellaneous.

11.1. Checks, Drafts and Documents.

indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons, and in such manner as, from time to time, shall be determined by resolution of the Board of Directors, subject to the requirements of Section 4.6 hereof for withdrawing money from the Association's reserve accounts .

11.2. Execution of Documents.

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

11.3. Inspection of Articles and Bylaws.

The Association shall keep in its office for the transaction of business the original or a copy of its Articles of Incorporation and these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members and all Beneficiaries, insurers and guarantors of first Mortgages.

11.4. Fiscal Year

The Fiscal Year of the Association shall be determined by the Board of Directors, and having been so determined, is subject to change from time to time as the Board of Directors shall determine .

11.5. Membership Register.

The Association shall keep and maintain in its office for the transaction of business a register containing the name, mailing address and telephone number of each Member. Termination or transfer of membership shall be recorded in the register, together with the date on which membership ceased or was transferred, in accordance with the provisions of the Declaration.

ARTICLE XII

12. Notice and Hearing Procedure.

12.1. Suspension of Privileges.

In the event of an alleged violation of the Declaration, these Bylaws or the Rules and Regulations of the Association, and after written notice of such alleged failure is delivered personally or mailed to the Member or any agent of the Member

("respondent") alleged to be in default in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board of Directors shall have the right, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors on the Board, to take any one (1) or more of the following actions: (1) levy a Special Assessment as provided in the Declaration; (2) suspend or condition the right of said Member to use any recreational facilities owned, operated or maintained by the Association; (3) suspend said Member's voting privileges as a Member, as further provided in the Declaration; (4) enter upon a Residence to make necessary repairs, or to perform maintenance which, according to the Declaration, is the responsibility of the Owner of such Residence; or (5) record a notice of noncompliance encumbering the Condominium of the respondent. Any such suspension shall be for a period of not more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The failure of the Board to enforce the Rules and Regulations of the Association, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws shall be cumulative and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Association prescribed by these Bylaws, or by the Rules and Regulations of the Association, before that Member may resort to a court of law for relief with respect to any alleged violation of the Declaration, these Bylaws or the Rules and Regulations of the Association by another Member, provided that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Member where the complaint alleges nonpayment of Annual Assessments, Special Assessments, Capital Improvement Assessments or Reconstruction Assessments.

12.2. Written Complaint.

A hearing to determine whether a right or privilege of the respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a Special Assessment should be levied, shall be initiated by the filing of a written Complaint by any Member or by any officer or member of the Board of Directors with the President of the Association or other presiding member of the Board. The Complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the respondent is charged, and a reference to the specific provisions of the Declaration, these Bylaws or the Rules and Regulations of the Association which the respondent is alleged to have violated. A copy of the Complaint shall be delivered to the respondent in accordance with the notice procedures set forth in the Declaration, together with a statement which shall be substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint, the Board of Directors may proceed upon the Complaint without a hearing, and you

will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address:

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact _____

_____.”

The respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board of Directors. The respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

12.3. Notice of Hearing.

The Board shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing, if such hearing is requested by the respondent. The hearing shall be held no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 12.2 of this Article XII. The notice to the respondent shall be substantially in the following form but may include other information:

“You are hereby notified that a hearing will be held before the Board of Directors of the Rancho Villas Community Association at

on the _____ day of _____ 19 , at the hour of _____ , upon the charges made in the Complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Association.”

12.4. Hearing.

The hearing shall be held before the Board in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice, and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or Director who mailed or delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the

meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. No action against the Member arising from the alleged violation shall take effect prior to the expiration of (a) fifteen (15) days after the Member's receipt of the notice of hearing, and (b) five (5) days after the hearing required herein.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of RANCHO VILLAS COMMUNITY ASSOCIATION, a California nonprofit it corporation (“Association”); and
2. The foregoing Bylaws comprising 23 pages including this page constitute the Bylaws of the Association duly adopted by Consent of Directors in Lieu of First Meeting dated June 5, 1989.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association this 5th day of June, 1989.

Leon Hayden

Secretary

(SEAL)